



Dear Investor,

Firstly my apologies for sending the wrong report during November, the information provided here includes that period.

The global economic crisis has been comparatively slow to impact Romania though many predict a difficult 2009. In a recent press conference National Bank governor Mugur Isarescu said that, whilst his country has for the most part steered clear of the international turmoil, indirect effects such as exchange rate volatility, costlier foreign financing, dividend repatriation by foreign companies and slowing exports, are beginning to bite.

There can be little doubt that borrowing is becoming more difficult within the country and this is negatively affecting industries dependent on credit, such as the automotive sector and construction (feeding through to suppliers of materials). In terms of real estate a fall in the prices of old communist apartments has recently been recorded in areas of the capital, with newer buildings showing smaller drops or holding steady. Land price declines have been noted in some areas though this effect is highly regional.

The country's year on year GDP growth for October was 9.1% according to the National Institute of Statistics, (this figure should be taken in the context of a relatively poor 2007) with overall growth for 2008 expected to finish between 8.25 and 8.7% according to Bucharest-based Riedel Research Group (a large portion of this growth was driven by an accelerating agricultural sector, relatively independent of credit markets). The research group predict growth for next year 2-3% lower than 2008, though more pessimistic commentators suggest a figure beneath 5%.

In such an evolving climate, we are confident that our Black Sea coastal projects will be insulated from a possible downturn by the relatively limited supply of similar sites. We are, however, now keen to drive the associated change of use (from extravillain agricultural to intravillain non-agricultural) applications forward as quickly as possible. To this end, we have worked with international project managers Faithful and Gould to bring together a team with a strong track record of successful change of use achievement for such enterprises. This group are now analysing our projects with the goal of accelerating progress and managing any potential political impact from recent elections. Further, I am pleased to report that construction of a road, connecting the area in which our sites are located to the main local highway, has now started, this improvement is likely to add further value to our assets. A recent valuation of the fund's projects indicates a 19% uplift in market value relative to purchase price (taking into account current market conditions).

Going forward, we continue to review investments with an extremely cautious eye (around 60% of the fund remains in cash) and are examining opportunities that have clear discounts at point of purchase and a strong case for rising value going forward.

Kind regards,

Simon Pearce-Hughes

